LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

CALL FOR VIEWS ON THE NON-DOMESTIC RATES (SCOTLAND) BILL

SUBMISSION FROM CBI SCOTLAND

1. CBI Scotland welcomes the opportunity to provide evidence to the Local Government and Communities Committee on the Non-Domestic Rates (Scotland) Bill.

2. The CBI represents members that directly employ at least 500,000 people in Scotland – a quarter of the private sector workforce. This includes companies headquartered in Scotland as well as those based in other parts of the UK that have operations and employ people in Scotland.

Overall programme of NDR Reform and the Barclay Review

3. Business investment is a key enabler of productivity and economic growth now and in the future and the Barclay Review remit of ‘better supporting business growth and long-term investment’ reflects what is needed in the economy more broadly, not just within the non-domestic rates (NDR) system.

4. Non-domestic rates must be considered in the context of the Scottish economy as a whole, not in isolation. Rates policy should be seen as part of an economy-wide strategy that aims to create a vibrant and competitive environment for business to grow and invest. That will require consistency and clarity across all levels of government.

5. The overall burden of business rates must be taken into consideration alongside other forms of business taxation, and with the Scottish Retail Consortium pointing out that the overall rates burden is at a 20-year high\(^1\), ensuring that central and local government collaborate to create a thriving Scottish business environment is more important than ever.

6. The lack of action on bringing the Large Business Supplement into parity with England has been disappointing as it is needed to avoid losing potential investments out of Scotland, address a disproportionately high rates cost for businesses with a large property footprint across local communities and risk sending the wrong message about Scotland being open for business.

7. Consistency across economic policy and business taxation at all levels of government is vital with the Barclay Review remit of supporting growth and investment needing to continue as a litmus test. Introduction of new levies must be tested against their potential impact on growth and investment with the proposed Workplace Parking Levy being an example of a tax that would be placed on commercial properties that are already subject to non-domestic rates, resulting in double-taxation.

\(^1\) [https://www.parliament.scot/S5_Local_Gov/Inquiries/LGC_S5_19_NDR_23_SRC.pdf](https://www.parliament.scot/S5_Local_Gov/Inquiries/LGC_S5_19_NDR_23_SRC.pdf)
Non-Domestic Rates (Scotland) Bill

8. CBI Scotland supports the NDR Bill overall as it brings in more frequent revaluations to better reflect market conditions and continues reforms of the business rates system following the conclusion of the Barclay Review.

9. It must be noted that the NDR Bill is designed around a system currently undergoing a range of reforms, including the tribunal system, revaluation cycles and the digital platform. These ongoing changes should be taken into account to ensure flexibility is built into the legislation for the system to be able to shift and adapt as reforms are implemented and technology develops.

Preparing for future revaluation cycles

10. More frequent revaluations have been called for and subsequently welcomed by a range of stakeholders to ensure NDR valuations more accurately reflect market conditions, as was recognised in the Barclay Review. However, the non-alignment of revaluations across the UK will mean additional cost for businesses with properties in more than one jurisdiction as England and Wales revaluations take place in 2021 and Scotland aims for 2022.

11. It should be noted that there may be future developments that present opportunities to shorten revaluation cycles further, so it would be advisable to leave room for flexibility with regards to three yearly revaluation cycles. In practice, a revaluation cycle that is longer than every year means business rates bills are not able to adjust in line with the economic situation. This can create uncertainty for businesses when making decisions vital to their growth. The CBI recognise that annual revaluations should be the direction of travel in the long term but that a strategy needs to be put in place to get there.

Defining new and improved properties

12. The Business Growth Accelerator has been a welcome relief that can encourage investment and is a policy being noticed elsewhere in the UK for its potential. However, rate of take-up so far must be examined, and clarification of definition and consistency of application needs to be addressed to ensure more businesses see the benefits from taking the step to invest in their properties.

13. A key requirement is ensuring that the valuation roll is as accurate as possible for all parties and that will depend on clear definitions of what signifies a ‘building’ and what classifies as ‘an improvement’ to a property as not all improvements to properties necessarily mean construction of buildings but could include investment in features that would add value to an entry.
14. Business investment planning takes a number of years and is best encouraged through consistent and stable business tax policy, which is why a clear definition of new and improved properties shared across all levels of government will be key to make sure the relief encourages growth and investment.

15. It will be a positive step to move the relief from being application-based to automatic eligibility as that will reduce the administrative burden, ensure it is consistently applied across all local authorities and create more awareness in the business community about the accelerator.

Linking transparency, timetabling and appeals

16. As CBI Scotland has highlighted in previous submissions on the Barclay Review – transparency of information should be at the core of the NDR system and will depend on open and direct collaboration between ratepayers and assessors.2

17. The issue of non-provision of information applies to both ratepayers and assessors, with ratepayers long having asked for clear and timely information to be made available of the methodology used for rateable values (RVs) to estimate their future costs and to allow assessment of whether an appeal is considered necessary. Providing ratepayers with early RVs will allow them to examine the information, including the methodology of how the estimate was made, and thereby reduce the need to lodge protective appeals.

18. Transparency of information between ratepayers and assessors should be sufficiently addressed before considering how assessors might collect further information from a wider range of bodies beyond the proprietor, occupier or rating agent.

19. Digital solutions should be considered to develop a secure method of disclosing information at the draft valuation stage based on comparisons in order for ratepayers and assessors to directly exchange information.

20. The proposals of opening up third party-requests for information by assessors should be approached with caution as it could open third parties up to liability to be fined if non-compliant, result in more administration for assessors and potentially risk increasing the appeals burden, rather than decreasing it.

21. Consideration should also be paid to consistency of how assessors and local authorities are engaging with ratepayers. For example, there appears to be inconsistent approaches being put forward with regards to requests for the same information, with differing levels of fines from assessors or local authorities for non-disclosure of the same information.

2 CBI Scotland response to Barclay Implementation: A consultation on non-domestic rates reform, September 2018
22. Appeals reform should aim to facilitate more fundamental change to help openness and transparency, not only focusing on ways to reduce the number of appeals lodged by adding financial risk to ratepayers. It is important to emphasise that ratepayers have a right to challenge a valuation assessment and that the current restrictive time-limits for lodging appeals lead ratepayers to protectively use the appeals system in order to have the ability to challenge a valuation.

23. It will be important to consider the timetabling for changes to the appeals process and provide more clarity on how timetabling will interact with proposals for a two-stage process. Any requirement to present complete evidence at the initial stage without additional opportunity to update information runs the risk of not encouraging a system of information-exchange built around transparency and trust between all parties.

24. It would be beneficial to clarify that communication and information exchange can be done through electronic communication when referring to submission of information ‘in writing’ in order to build in flexibility as the digital side of the Barclay reforms continue.

25. Longer-term moves towards annual revaluations would also have a positive impact on reducing the number of appeals lodged as there would be more predictability around RVs.

CBI Scotland, May 2019